GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2904
ANSWERED ON:17.12.2004
AUTONOMY TO PSB
Scindia Shri Jyotiraditya Madhavrao

Will the Minister of FINANCE be pleased to state:

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(a) the steps taken for expanding adequate competition in financial sector with full autonomy to public sector banks;

(b) whether a National Policy has been evolved in this regard; and

(c) if so, the details thereof ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (c): Competition has been infused into the financial system through deregulation in interest rates, grant of functional autonomy to banks in many areas and allowing greater participation of private sector and foreign banks. RBI/ Government have also initiated various measures to reduce incidence of NPAs in the banking sector. As a part of deregulation, there has been a significant reduction in control over credit market as statutory ratios of Statutory Liquidity Ratio and Cash Reserve Ratio have been lowered. Most of the interest rates have been deregulated. To further induce competitiveness, public sector banks have been allowed to raise equity through public issues thereby, reducing percentage share of equity held by Government. FDI limit in the private banks has been raised from existing 49% to 74%. Foreign and Private Banks have been given licences by RBI in order to allow financial system to benefit from better technology, specialized skills, better risk management practices, greater portfolio diversification and deepening of financial markets.